

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 3020 - HB 3171

March 5, 2010

SUMMARY OF BILL: Prohibits the state insurance committee or any third-party administrator from using or authorizing the use of an exclusive contract between any hospital and the plan in Putnam County.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds \$100,000

Assumptions:

- It is estimated that the provisions of the bill will remove the economic incentive for insurers to enter into provider participation agreements with a hospital that serve the state employee health plan enrollees in Putnam County.
- With fewer participation agreements being utilized across the state, there could be price increases for medical services charged which will result in greater expenditures by both the state plan and employees.
- The Department of Finance and Administration estimates that there could be a five percent increase in the amount of allowable costs. Based on 2006 and 2007 expenditures in one service area, the increase in expenditures could range from \$240,000 ($4,800,000 \times .05$) to \$295,000 ($5,900,000 \times .05$).
- The state pays approximately 80 percent of premiums as the employer contribution to the state employee health plans. It is estimated that the increase in state expenditures will exceed \$100,000 ($\$240,000 \times .80 = \$192,000$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White".

James W. White, Executive Director

/kml